

Commodity Credit Corporation, USDA

§ 1427.23

§ 1427.22 Commodity certificate exchanges.

(a) For any outstanding marketing assistance loan, a producer may purchase a commodity certificate and exchange that commodity certificate for the marketing assistance loan collateral.

(b) The exchange rate is the lesser of:

(1) The loan rate and charges, plus interest applicable to the loan, or

(2) The adjusted world price for cotton as determined by CCC.

(c) Producers must request a commodity certificate exchange in person at the FSA county service center that disbursed the marketing assistance loan by:

(1) Completing a written request as CCC determines,

(2) Purchasing a commodity certificate for the exact amount required to exchange the marketing assistance loan collateral, and

(3) Immediately exchanging the purchased commodity certificate for the outstanding loan collateral.

§ 1427.23 Cotton loan deficiency payments.

(a) In order to be eligible to receive such loan deficiency payments, the producer of the upland cotton must:

(1) Comply with all of the upland cotton marketing assistance loan eligibility requirements under this subpart;

(2) Agree to forgo obtaining such loans unless denied a loan deficiency payment due to payment limitation;

(3) A producer must submit a completed request for a loan deficiency payment for a quantity of eligible cotton under §1427.5(a) on or before the date beneficial interest is lost in the commodity and before the final loan availability date for the commodity. Producers must, on a form prescribed by CCC, indicate their intentions to receive a loan deficiency payment and submit the prescribe form to the FSA Service Center on or before beneficial interest is lost in such quantity. A producer may not file such a form after beneficial interest is lost.

(4) Provide warehouse receipts or, as determined by CCC, a list of gin bale numbers for such cotton showing, for each bale, the net weight established at the gin;

(5) For loan deficiency payments requested before ginning of the cotton based on a locked-in adjusted world price, provide identifying numbers for modules or other storage units that will correspond to the gin-assigned numbers of the bales produced from the unginned cotton; and

(6) Otherwise comply with all program requirements.

(b) The loan deficiency payment applicable to a crop of cotton shall be computed by multiplying the applicable loan deficiency payment rate, as determined under paragraph (c) of this section, by the quantity of the crop the producer is eligible to pledge as collateral for a loan, excluding any quantity for which the producer obtains a marketing assistance loan.

(c) The loan deficiency payment rate for a crop of upland cotton shall be the amount by which the loan rate determined for a bale of such crop exceeds the adjusted world price, as determined by CCC under §1427.25, in effect on the day the request is received by, the county office, loan servicing agent, or cotton commercial bank. In no case shall the loan deficiency payment rate for a bale exceed the value of the bale had it been pledged as collateral for a marketing assistance loan.

(d) The total amount of any loan deficiency payments that a person may receive is subject to part 1400 of this chapter.

(e) If the producer enters into an agreement with CCC on or before the date of ginning a quantity of eligible upland cotton, and the producer has the beneficial interest in such quantity as specified under §1427.5(c) on the date the cotton was ginned, and the producer meets all the other requirements in paragraph (a) of this section on or before the final date to apply for a loan deficiency payment under §1427.5, the loan deficiency payment rate applicable to such cotton will be:

(1) Based on the date the cotton was ginned if payment application is made in the manner prescribed by CCC for obtaining such rate; or

(2) Based on the date of request for lock-in of the adjusted world price if payment application is made in the manner prescribed by CCC for obtaining such rate; or

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(3) Based on the date a completed request including production evidence is submitted in the manner prescribed by CCC for obtaining such rate.

(f) In the event that Thursday is a non-workday, such applications for loan deficiency payments will not be accepted beginning at 7 a.m. Eastern Standard time the next workday until an announcement of the adjusted world price for the succeeding weekly period has been made under §1427.25(e).

(g) With respect only to loan deficiency payments for upland cotton produced in the 2001 crop year, whether or not produced on a farm covered by a production flexibility contract, the applicable final availability for such payment is November 18, 2002.

[67 FR 64459, Oct. 18, 2002, as amended at 71 FR 32427, June 6, 2006]

§ 1427.24 [Reserved]

§ 1427.25 Determination of the prevailing world market price and the adjusted world price for upland cotton.

(a) CCC shall determine the world market price for upland cotton as follows:

(1) During the period when only one daily price quotation is available for each growth quoted for Middling one and three-thirty-second inch ($M\ 1\frac{3}{32}$ inch) cotton, C.I.F. (cost, insurance, and freight) northern Europe, the prevailing world market price for upland cotton shall be based upon the average of the quotations for the preceding Friday through Thursday for the 5 lowest-priced growths of the growths quoted for $M\ 1\frac{3}{32}$ inch cotton, C.I.F. northern Europe.

(2) During the period when both a price quotation for cotton for shipment no later than August/September of the current calendar year (current shipment price) and a price quotation for cotton for shipment no earlier than October/November of the current calendar year (forward shipment price) are available for growths quoted for $M\ 1\frac{3}{32}$ inch cotton, C.I.F. northern Europe, the prevailing world market price for upland cotton shall be based upon the following: Beginning with the first week covering the period Friday through Thursday which includes April

15 or, if both the average of the current shipment prices for the preceding Friday through Thursday for the 5 lowest-priced growths of the growths quoted for $M\ 1\frac{3}{32}$ inch cotton, C.I.F. northern Europe (Northern Europe current price (NEc)), and the average of the forward shipment prices for the preceding Friday through Thursday for the 5 lowest-priced growths of the growths quoted for $M\ 1\frac{3}{32}$ inch cotton, C.I.F. northern Europe (Northern Europe forward price (NEf)), are not available during that period, beginning with the first week covering the period Friday through Thursday after the week which includes April 15 in which both the NEc and NEf price are available, the prevailing world market price for upland cotton shall be based upon the result calculated by the following procedure:

- (i) Weeks 1 and 2: $((2 \times \text{NEc}) + \text{NEf})/3$.
- (ii) Weeks 3 and 4: $(\text{NEc} + \text{NEf})/2$.
- (iii) Weeks 5 and 6: $(\text{NEc} + (2 \times \text{NEf}))/3$.
- (iv) Week 7 through July 31: NEf.

(3) The upland cotton prevailing world market price as determined under paragraphs (a)(1) or (a)(2) of this section shall hereinafter be referred to as the "Northern Europe price (NE)."

(4) If quotes are not available for 1 or more days in the 5-day period, the available quotes during the period will be used. If no quotes are available during the Friday through Thursday period, the prevailing world market price shall be based upon the best available world price information, as CCC determines.

(b) The upland cotton prevailing world market price, adjusted under paragraph (c) of this section (adjusted world price (AWP)), shall be applicable to the 2002 through 2007 crops of upland cotton.

(c) The upland cotton AWP shall equal the NE price as determined under paragraph (a) of this section, adjusted as follows:

(1) The NE shall be adjusted to average designated U.S. spot market location by deducting the average difference in the immediately preceding 52-week period between:

(i)(A) The average of price quotations for the U.S. Memphis territory and the California/Arizona territory as quoted each Thursday for $M\ 1\frac{3}{32}$ inch cotton,